



CYNTHIA D. BANKS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

3175 WEST SIXTH STREET • LOS ANGELES, CA 90020-1708 • (213) 738-2600 • (213) 487-0379 FAX

"To Enrich Lives Through Effective And Caring Service"

BOARD OF SUPERVISORS

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March 9, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF CASH MANAGEMENT SYSTEM AND CONTRACT
AMENDMENTS FOR THE WAGNER-PEYSER, SPECIAL GRANTS, NATIONAL
EMERGENCY GRANT, AND WORKFORCE INVESTMENT ACT (WIA) PROGRAMS
(ALL SUPERVISORIAL DISTRICTS) (3-VOTES)**

SUBJECT

This Board Letter requests approval to: 1) establish a cash management payment system for the Wagner-Peyser, Special Grants, National Emergency Grant (NEG), and Workforce Investment Act (WIA) programs; and 2) amend all WIA and NEG contracts to implement this system. The implementation of a cash management system will align Community and Senior Services' (CSS) WIA and NEG payment systems with federal requirements, expediting the issuance of payments to contractors and replacing the existing reimbursement system which required contractors to front program costs pending reimbursement.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the implementation of a cash management system for all Wagner-Peyser, Special Grants, NEG, and WIA programs, including the formula- and American Recovery and Reinvestment Act (ARRA)-funded Youth, Adult and Dislocated Workers, and Rapid Response programs.
2. Delegate authority to the Director of CSS, or designee, to execute amendments, approved by County Counsel as to form, with all WIA and NEG contractors to implement a cash management system in accordance with federal and State requirements.

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#12 MARCH 9, 2010

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The County of Los Angeles has been designated by the State as a Local Workforce Investment Area for the purpose of administering WIA programs, including paying contractors for services provided. Currently, CSS operates its payment system for WIA, as well as for NEG, contractors on a monthly cost reimbursement basis. Under that method, contractors submit invoices for payment after allowable costs have been incurred.

During a recent technical training, the federal Department of Labor (DOL) and State Employment Development Department (EDD), noted that CSS' reimbursement payment system places an undue burden on contractors, requiring them to front program costs, which is contrary to the intent of federal programs. Therefore, DOL and EDD directed CSS to implement a cash management system. Under a cash management system, contractors have the ability to request cash advances needed to meet immediate upcoming expenditures.

These recommended actions will provide CSS with the authority to implement a cash management system that aligns with federal requirements, expediting the issuance of payments to contractors and replacing the existing reimbursement system which required contractors to front program costs pending reimbursement.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions are consistent with principles of the Countywide Strategic Plan -- *Children, Family and Adult Well-Being Goal 5*.

Performance Measures

The program's success will be measured based on the indicators established by WIA and are aligned with the County's *Performance Counts!* Initiative.

FISCAL IMPACT/FINANCING

For Fiscal Year (FY) 2009-10, CSS has allocated about \$65 million in WIA and NEG funding. All WIA and NEG program costs are fully offset by WIA and NEG funding. Currently, CSS operates under a reimbursement system. Therefore, all payments to contractors are initially paid through the County general fund until they are recovered shortly after submission of the monthly claims to the State.

Upon implementation of the cash management system, however, CSS will be requesting cash advances from the State before issuing cash request payments to contractors. Cash requests to the State will be timed to meet actual immediate cash needs, to the extent possible, based on continual assessment of expenditure trends. As a result, CSS will minimize the fiscal impact to the County's general fund or cash flow.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Background

On December 28, 2009, the federal DOL and State EDD directed CSS to establish a cash payment system to allow contractors to draw down cash for immediate needs. CSS currently pays the contractors on a monthly cost reimbursement basis. Under that method, contractors submit invoices for payment after allowable costs have been incurred. However, DOL and EDD share the position that contractors should have the ability to request cash at any time based on need to preclude the burden of fronting costs. In response, CSS developed a cash management policy for its WIA formula and ARRA funding, as well as its NEG funding, addressing financial management system standards, cash request procedures, and financial reporting requirements, all of which have been reviewed by DOL, EDD, and the Auditor-Controller.

Cash Management Conditions

Title 29 Code of Federal Regulations (CFR) Part 97.21 requires that contractors receive cash advances provided that they maintain or demonstrate the willingness and ability to maintain procedures to minimize time elapsed between receipt of cash and actual disbursement to prevent excess cash on hand. Excess cash is defined as any fund amount which has not been shown as disbursed within three to four working days.

Additionally, contractor participation in the cash management system is contingent upon satisfactory completion of a fiscal review by CSS staff, which may consist of the following:

- A review of the contractor's independent audit report and single audit (if available) for going concern qualifications or other issues.
- A review of the contractor's financial status by evaluating the contractor's net worth, operating income, available cash and current assets compared to current liabilities.
- An evaluation of the contractor's prior contracting with CSS (i.e., no outstanding audit/monitoring findings in order to incentivize contractors to remain in good standing).

Prior to participation in the cash management system, contractors must prepare and submit cash management system procedures to CSS demonstrating how they will comply with the DOL, EDD and CSS cash management requirements. Any WIA subcontractors in the performance of WIA or NEG activities that opt for cash payments must also maintain written procedures.

CSS will provide technical assistance training to contractors on the provisions of the cash management policy. Contractors that repeatedly demonstrate the inability to comply with DOL, EDD and CSS cash management requirements will receive payment under the reimbursement method in accordance with Title 29 CFR 97.21. Repeated violations are defined as two or more instances of noncompliance with DOL, EDD and CSS cash management requirements.

Cash Request Limitations

Cash requests must be submitted to CSS electronically via email and are limited to the minimum amounts needed to meet actual immediate cash needs to pay the amount of disbursements processed. Cash requests for needs beyond three working days are not allowed and will be denied.

Contractors may determine immediate needs based on their disbursement cycle(s), expenditure trends, etc. For example, a contractor requiring \$25,000 to meet payroll each Thursday would submit the request to CSS every Monday or Tuesday of that same week.

Financial Reporting

Contractors are required to report expenditures for each grant using EDD reporting formats on a monthly basis. Detailed expenditure reports that itemize how funds are spent by cost category (e.g., salaries, rent, etc.) must be included with all monthly financial reports.

Reconciliation

CSS will review and reconcile financial expenditure reports to cash requests on a monthly basis to determine: 1) compliance with contract line-item budgets; 2) compliance with DOL, EDD and CSS cash management policies; and 3) any instances of excess cash on hand. CSS will immediately investigate any instances of noncompliance.

The Auditor-Controller (A-C) will conduct annual reviews, on a sample basis, to determine if expenditures are adequately supported and are in compliance with applicable program requirements. The A-C will also review, on a sample basis, contractor compliance with DOL, EDD, and CSS cash management requirements.

CONTRACTING PROCESS

All WIA formula- and ARRA-funded contracts have been competitively procured which terminate effective June 30, 2012, with an option to extend through June 30, 2013. The Department anticipates releasing a new solicitation in 2012 for new contractors to be in place by July 2013. The NEG program is operated by WIA-contracted providers.

Monitoring Requirement

Beginning with FY 2003-04, CSS contracted with the A-C's office to conduct fiscal and contract compliance monitoring of all of its WIA contractors. CSS is responsible for monitoring its NEG contractors. In addition, CSS is responsible for ensuring, through its resolution process that any reported monitoring findings for either WIA or NEG are resolved and training is provided to contractors, if necessary, and/or program policies are developed.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will enhance the continued provision of WIA services to jobseekers and employers within Los Angeles County.

CONCLUSION

Upon Board approval, please mail one copy of the adopted Board letter and its attachments to Rogelio Tapia, CSS, 3175 West Sixth Street, Los Angeles, CA 90020. Mr. Tapia may be reached at (213) 738-2665.

Respectfully submitted,


CYNTHIA D. BANKS
Director

c: Chief Executive Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors